

Franke Holding AG, Aarburg

Press conference, 22 May 2001 in Zurich

PRESS COMMUNIQUÉ

Franke continues its strategic policy of increased global sales and profits

Franke is a global provider of products, services and customised solutions for the food preparation sector both in the household and the catering trade. The company employs over 5,300 people and today has a strong presence in all 5 continents. Franke has a total of 62 subsidiaries in 34 countries and exports to a further 100 countries. The group operates out of 36 production facilities and has 69 marketing organisations.

Franke was once again able to increase sales figures against the previous year. In absolute terms the earnings (EBITDA, cash flow) increased, but they were slightly down in percentage terms. The extremely healthy liquidity position was maintained, and the financial structure of the balance sheet improved.

Consolidated sales figures for 2000 reached CHF 1,559.3 million, exceeding the previous year's figure by CHF 156.7 million or +11.2%. With comparable exchange rates, the increase in sales was CHF 120.1 million, compared to the previous year, or up by +8.6%. Excluding acquisitions and the loss in sales resulting from the termination of the one-time, non-recurring McDonald's project, "Made For You", the

increase in sales from our own activities was a very satisfactory CHF 134.7 million or +9.6%. The EBITDA of CHF 196.0 million (12.6%) surpassed the previous year's figure by CHF 6.0 million or +3.2% (previous year CHF 190.0 million or 13.5%). The consolidated cash flow of CHF 172.3 million (11.1%) exceeded the previous year's figure by CHF 4.6 million or by +2.8% (previous year CHF 167.7 million or 12%). Total investments amounted to CHF 117.9 million (previous year CHF 121.2 million). Of this CHF 26.2 million was invested in land and buildings, and CHF 80.3 million in machinery and IT. CHF 11.4 million was spent on acquisitions and investments in affiliates (previous year CHF 62.0 million). Investments were fully financed from cash flow generated internally.

Franke: Further strategic growth in the last financial year

Strategic Group development

As part of Group strategy at the holding level, we put one major trade investment in place and also implemented several other measures:

- In January 2000 Franke Holding AG secured a 10% shareholding in adval Tech AG, Niederwangen, Switzerland. This was a strategic investment, which will not be increased for the moment.
- In the course of the financial year, Franke made substantial investments through Franke Immobilien AG, Aarburg, Switzerland. These were not necessary from the operational viewpoint, but were property investments with high-yield returns.

- Overall, negotiations on nine different acquisitions took up much of Group Management's time at Franke Holding AG in the course of the reporting year. Franke, however, discontinued all negotiations, during the due diligence process – either because the purchase price was too high, or because of perceived inadequacies. More than half of these acquisitions were not related to any divisions, but represented potential new operating sectors.
- Apart from the individual divisions, Franke Holding AG invested considerable time and money in the strategic development or expansion of markets in many countries. Poland and China can be cited as positive examples of this policy. Both markets are developing in a very satisfactory manner. In Poland Franke enjoys a leading share of the market in all three lines of business. Substantial investments were made in land purchase and plant extensions in these countries, to ensure that we will continue to expand there. In China Franke made a sizeable investment in expanding production capacity, in order to keep up with the sharp increase in domestic demand and cope with rising exports to neighbouring countries. The sales network was also expanded.

Strategic development of the Kitchen Systems Division

The key measures taken as part of the divisional strategy were as follows:

- In February 2000 Franke Kazakhstan Ltd., Almaty City, Kazakhstan was founded. The new Franke subsidiary is purely a sales company for kitchen systems products.
- In March 2000 Franke Hong Kong Company Ltd., Hong Kong, China was founded, to provide an impetus for

sales of Franke products in markets in neighbouring states.

- In March 2000 Franke India Pvt. Ltd., Mumbai opened a modern production plant for sinks in Aurangabad, India. The investment amounted to USD 3.5 million. At the present time, the company is expanding its sales network throughout India.
- In November 2000 Franke Romania SRL, Bucharest, Romania commissioned its new plant for the assembly of cooking tops, which includes office, exhibition and warehouse facilities.

Strategic development of the Contract Group Division

In line with divisional strategy, the following key measures were implemented:

- In June 2000, the Division acquired the German company Niggemann Foodservice Technik GmbH & Co. KG, Bochum retrospectively to 1 January 2000 . The purchase was made by Franke Deutschland Holding GmbH. Niggemann is a leading provider of complete service packages in the kitchen equipment sector for quick-service restaurants. It is also active in the import and sale of industrial cooking appliances for this sector. The company has 131 employees and posted a turnover of DEM 50.0 million in the last year.
- In September 2000, Franke Gastopol Sp.z o.o. Gdynia, Poland purchased an adjoining parcel of land with an area of 16,757 sq. m and is currently in the planning stages of extending its production site.
- Following the founding of the Franke Contract Group Philippines Inc., Calamba, Philippines in September 2000, the new production facility for McDonald's kitchens

was commissioned in March 2001. At the present time a sales and logistics structure for the Contract Group in Southeast Asia is being developed.

- In November 2000, Franke Inc., Fayetteville, TN/USA completed on schedule a 4,500 sq. m extension to its production facility for McDonald's kitchens.
- In November 2000, Franke Inc. and Franke Commercial Systems Inc., LaVergne, TN/USA opened the Contract Group Distribution Center for the Middle East in Jebel Ali/Dubai, United Arab Emirates.

As part of the streamlining process for the future development strategy, the Contract Group Division successfully completed three major reorganisation measures:

- In February 2000 the McDonald's activities of O'Brien Budd Inc., St. Charles, IL/USA – representing roughly 70% of the sales turnover – were integrated into the logistics company, Franke Commercial Systems Inc., LaVergne, TN/USA. The remaining activities were sold off. The St. Charles site was closed and approximately 15 people had to be laid off.
- In December 2000, Stainless USA Inc., Deerfield Beach, FL/USA moved its warehouse site in Pompano Beach to Deerfield Beach. The "Accessories and Spare Parts" operation was transferred to Franke Commercial Systems Inc., LaVergne, TN/USA. Stainless is currently undergoing a further restructuring phase with the goal of reducing personnel levels by a total of 100.
- In December 2000, the McDonald's production at Met-Tec Installations Inc., Vancouver, Canada was closed. 30 employees were laid off. Production was integrated into Franke Inc. in Sparks, NV/USA. Met-Tec was re-

named the Franke Contract Group Canada Ltd. and is now purely a sales, logistics and service company.

Strategic development of the Beverages Division

The following measures were taken as part of divisional strategy:

- In May 2000 the beer equipment operations of V. Swinkels B.V., Helmond, Netherlands were taken over by Franke Roestvrijstaal Netherlands B.V., which is located in the same town.

The Division is currently implementing an important measure to improve efficiency:

- In March of this year the Division closed the Italian plant Safer S.p.A., Valmadrera and is presently transferring production of the most important product lines – sealed rubber/steel/rubber containers – to Blefa GmbH Co. KG in Kreuztal, Germany. Around 30 employees had to be made redundant.

Strategic development of the Diversified Products operation

The following acquisitions were successfully concluded as part of the expansion of the Metal Construction profit centre at Franke AG, Aarburg/Switzerland:

- On May 1, 2000, all assets were purchased from the insolvent company AB Steeldesign GmbH and brought into the newly formed Steeldesign GmbH, Troisdorf, Germany. The new company is a subsidiary of Franke Deutschland Holding GmbH. It has a staff of 35 and posted a turnover of DEM 4.5 million. In management terms, it reports to Franke AG in Aarburg, Switzerland. Its

products are sealed, high-precision control panel housings for the electrical and electronics industries.

Prospects for 2001

Provided the anticipated business situation generally remains unchanged, Franke hopes to improve earnings for 2001 with a slight increase in sales and a further reduction in capital expenditure. In the course of the current business year, Franke will also continue to exploit growth opportunities from its own internal synergies and/or through suitable acquisitions or trade investments.